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ARGENTINA: (Juan Peron's arrival yesterday provoked no serious outbreaks of violence, but he is protesting his near total isolation.)

A driving rain helped to dampen the enthusiasm of those loyal Peronists and potential trouble-makers who, defying Peron's personal plea for calm, sought to challenge the security forces who had sealed off the airport. Heavily armed troops turned back thousands at the airport access road and well-coordinated operations of riot police prevented several small incidents from mushrooming.

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Politically, both Peron and President Lanusse are continuing to play their cards very close. Peron reportedly will try to strengthen his bargaining position by trying to line up the support of non-Peronist politicians and perhaps a few military leaders, before meeting with Lanusse. Lanusse, however, still believes he is in a position to press Peron to accept most of the government's terms for a political accord. The bargaining positions of the two do not seem far apart--Peron reportedly is even willing to support an active duty army officer for president--but the years of bitter antagonism

must still be overcome and differences over security arrangements could further complicate work toward a final agreement.) (SECRET NO FOREIGN DISSEM)

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USSR: The Soviet Navy has deployed the second of its two newly modified naval command ships.

The Admiral Senyavin, a Sverdlov-class light cruiser, left the Sea of Japan via the Tsushima Strait yesterday, accompanied by a guided missile destroyer. This is the first time the Senyavin has been outside home waters since it finished its lengthy modification at Vladivostok last year.

The Senyavin's modification, which began in 1967, consists primarily of an upgraded capability for communications and defense against aircraft. In January, the Senyavin was sighted near Vladivostok with an array of several new communications antennas. Its new short-range defenses against aircraft consist of the retractable SA-N-4 surface-to-air missile launcher and rapid-fire 30-mm. twin gun mounts. The ship also has a new helicopter deck and hangar.

Another Sverdlov-class cruiser, the Zhdanov, which underwent a command ship modification at Sevastopol from 1966 to 1971, is currently the flagship of the Soviet Mediterranean Squadron. The Admiral Senyavin will probably test its new communications capability over long distances. The Senyavin's cruise may include operations with the Soviet Indian Ocean force, which has been without a cruiser since March and without a destroyer since late October.

The Soviet Navy apparently is attempting to get extra mileage from these two light cruisers, built in the early 1950s, by using them as flagships for distant operations. (SECRET)

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USSR-PERU: Moscow has extended \$200 million in credits for a major irrigation project in northern Peru.

The \$450-million project will consist of a trans-Andean tunnel, a hydroelectric complex, and an irrigation network covering nearly 500,000 acres of land. Negotiations to secure Soviet financing have continued intermittently since 1969, and the USSR conducted two feasibility studies before deciding to become involved in it. The only Soviet assistance to Peru to date has been for the development of a large fishing complex.

The long-desired credit comes at a period of increasing Peruvian cordiality toward the USSR after a lull partly due to the Velasco government's skepticism of Soviet aims. Peruvian economic and military delegations visited Moscow recently and on 14 November several top Soviet military officials were decorated by Ambassador de la Puente in a warm gesture of gratitude to Moscow for help during the 1970 earthquake and for training some Peruvian military personnel. (CONFIDENTIAL)

INDIA: The government is planning to import substantial quantities of grain soon.

25X6 Indian Government and industrial officials have [] told members of the US country team that India may make foreign purchases of grain and other commodities within the next month or two. The food secretary is making an unpublicized trip to a number of countries, including the US, to survey the availability and prices of foodgrains. New Delhi probably will import between one and two million tons of grain, 200,000 tons of vegetable oil, and 50,000 tons of pulses.

The switch from earlier official claims of self-sufficiency in food production follows inadequate rainfall this year, resulting in poor crops and a rapid decline in reserve stocks. Government plans to expand the winter wheat and other crops are being hampered by continued drought in large areas of north India, an inadequate supply of fertilizer, and a shortage of electrical energy for operating irrigation pumps.

Indian officials apparently hope to keep their cash expenditures for imports to less than \$50 million; they probably will seek credit for costs above that amount. Although the Indian Government is unlikely to ask for concessionary PL-480 terms to purchase food, it may request a short-term commercial credit. (CONFIDENTIAL)

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ECUADOR: The [] lack of leadership of the military government is creating serious problems, including dissension within the armed forces.

During most of its nine months in power, the Rodriguez government has escaped serious criticism, primarily because of the ambiguity of its policies. Recently, however, labor has reacted strongly to a decree limiting strikes, students have responded violently to repressive police tactics on campuses, and business circles have been alarmed by the government's uncertain credit policies. Rodriguez' most vexing problem was caused by his dismissal last month of a military court that had failed to convict a former cabinet minister of alleged misconduct during the previous administration. Several Supreme Court justices have resigned in protest, and civilian politicians, who have been relatively inactive since February, have hastened to attack what they see as an assault on the judicial system.

Rodriguez has not been unduly concerned with civilian grumbling, but the intensity of the recent criticism has taken him by surprise. Traditional rivalries among the armed services are also resurfacing, and some high-ranking officers have become openly critical of Rodriguez' lack of leadership. The resulting erosion of military unity adds to the government's inability to deal effectively with its problems. This downward spiral will prove difficult to arrest and could lead first to personnel shifts within the administration and ultimately to the discrediting of the entire military government. (CONFIDENTIAL)

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INDIA-PAKISTAN: New Delhi may propose a meeting of civilian officials to deal with stalled military talks on delineation of the Jammu and Kashmir border.

Indian Foreign Minister Swaran Singh told parliament this week that New Delhi might consider a meeting of Indian and Pakistani officials, possibly even a summit conference, in an effort to resolve the impasse, which has prevented troop withdrawals along the international border south of Kashmir. The Indians do not, however, want to give the impression that they are eager to meet, and Prime Minister Gandhi publicly maintains that delineation remains a "technical matter" which should be left to army commanders. Islamabad also appears unenthusiastic about an upgraded approach to the problem, but so far has not ruled it out. Last week's meeting between senior Indian and Pakistani military commanders ended inconclusively with no date set for another session.

Meanwhile, each side contends that the other is responsible for the delay. Pakistani officials allege that the Indians are delaying delineation both to force Pakistan into recognizing Bangladesh and to erode Islamabad's contention that the status of Jammu and Kashmir is not permanently settled. Conversely, Indian officials accuse President Bhutto of footdragging, although at least one of them admits that there may be an honest misunderstanding over unclear wording in the hastily composed Simla Agreement of last July. (CONFIDENTIAL)

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NOTES

CHILE: Rapid inflation continues unabated. Prices have risen 130 percent since the beginning of the year, and October's price rise alone wiped out 30 percent of the 100-percent salary increase granted at the beginning of the month. Demand for consumer goods is so strong that there are widespread shortages and blackmarket activities are proliferating. Workers' purchasing power appears likely to erode further over the next few months, putting more pressure on President Allende to grant another round of wage increases before the congressional elections in March 1973. (CONFIDENTIAL)

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GOLD: The price of gold has fallen sharply in international markets. The price in London, which yesterday fell by over \$1, slipped to \$60 per ounce for the first time in five months. The price has fallen more than \$10 since the record highs reached in early August. Profit taking has been instrumental in the decline, but other factors also have been important. Gold customarily weakens when the dollar strengthens, as it recently has on international money markets. Gold also often moves in an opposite direction from prices on the New York stock exchange. Moreover, traders anticipate that South Africa and the USSR will be marketing large quantities of gold in the West in the next year. (CONFIDENTIAL)

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